

Message Text

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PAGE 01 ABU DH 01330 01 OF 02 111335Z
ACTION NEA-11

INFO OCT-01 EUR-12 ISO-00 EB-08 SOE-02 AID-05 CEA-01
CIAE-00 DODE-00 DOE-15 H-02 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 ICA-20 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 FRB-01 XMB-04
OPIC-06 LAB-04 SIL-01 /165 W
-----070301 111424Z /75

R 110720Z MAY 78
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 7813
USDC WASHDC
INFO AMEMBASSY ATHENS
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY JUDDA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY TEHRAN

UNCLAS SECTION 1 OF 2 ABU DHABI 1330

ATHENS FOR RTDO

E.O. 11652: NA
TATS: BEXP, BENC, ENRG, PINT, TC
SUBJ: OIL SERVICE/CONTRACTORS REQUIRED TO ESTABLISH HEADQUARTERS
IN ABU DHABI FOR ABU DHABI-DERIVED WORK

REF: ABU DHABI 1325

1. SUMMARY: ABU DHABI PETROLEU DEPARTMENT HAS INSTRUCTED
ALL OIL COMPANIES OPERATING IN ABU DHABI TO INFORM CONTRACTING
COMPANIES AND OTHER OIL SERVICES COMPANIES SERVICING THEM THAT
THEY MUST ESTABLISH A HEAD OFFICE IN ABU DHABI WITHIN THE NEXT
SIX MONTHS OR THEY WILL BE UNABLE TO WORK IN ABU DHABI. ACCORDING
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TO ABU DHABI GOVERNMENT OFFICIAL, MOVE WILL NOT REQUIRE CHANGES
IN LOCATION OF ONGOING WORK SITES. HOWEVER, NEW CAPITAL INVESTMENT
(EITHER RELOCATION OR EXPANSION) AND MANAGERIAL ACTIVITIES RELAT-
ING TO OPERATIONS IN ABU DHABI WILLMTE EXPECTED TO BE LOCATED IN
ABU DHABI EMIRATE. WHILE MOVE IS LONG EXPECTED PART OF
ABU DHABI BUSINESS NATIONALISM, ITS ANNOUNCEMENT NOW IS AN
ADDITIONAL DISCORDANT ELEMENT BETWEEN ABU DHABI AND DUBAI. WE DO

NOT EXPECT A "HARD LINEZ" ABU DHABI IMPLEMENTATION THAT WOULD SOUR RELATIONS WITH OTHER EMIRATES. END SUMMARY.

2. OIL COMPANIES OPERATING IN ABU DHABI EMIRATE RECENTLY RECEIVED NOTIFICATION THAT AN EXPLICIT TIME FRAME HAS BEEN SET FOR LONG EXPECTED MOVE OF OIL INDUSTRY SERVICE AND CONTRACTING COMPANIES TO ABU DHABI EMIRATE. TEXT OF LETTER IN INFORMAL TRANSLATION FOLLOWS:

3. QUOTE LETTER NO. AIN-1/46/957 DATED 11TH APRIL 1978 FROM THE PETROLEUM DEPARTMENT, ABU DHABI TO ALL THE OIL COMPANIES OPERATING IN ABU DHABI. PLEASE BE ADVISED THAT THE EXECUTIVE COUNCIL HAS DECIDED IN ITS MEETING HELD ON APRIL 9, 1978 NOT TO QLLOW THE OIL COMPANIES OPERATING IN THE EMIRATE TO DEAL WITH THE CONTRACTING COMPANIES AND OTHER OIL SERVICES COMPANIES UNLESS SUCH CO MPANIES WILL ESTABLISH HEAD OFFICE - (HEADQUARTERS) IN ABU DHABI FOR ITS OPERATIONS. THE COUNCIL HAS ALSO DECIDED TO GRANT A GRACE PERIOD OF SIX MONTHS FROM THE DATE HEREOF FOR SUCH COMPANIES TO TRANSFER THEIR ACTIVITIES TO ABU DHABI. AFTER THE LAPSE OF THIS PERIOD COMPANIES FAILING TO TRANSFER THEIR ACTIVITIES TO ABU DHABI WOULD NOT BE ALLOWED TO WORK FOR THE OIL COMPANIES. WILL YOU THEREFORE PLEASE NOTIFY ALL THE CONTRACTING COMPANIES THAT ARE WORKING FOR YOU THAT THE GOVERNMENT IS PREPARED TO ACCORD THEM ALL POSSIBLE FACCLITIES TO TRANSFER THEIR ACTIVITIES TO ABU DHABI AND TO SECURE THE NECESSARY LAND SPACE WHICH THESE COMPANIES UNCLASSIFIED

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MIGHT NEED. SD/- MANA SAEED AL OTEIBA, CHAIRMAN OF THE PETROLEUM DEPARTMENT. END QUOTE.

4. THRUST OF POLICY ACCORDING TO ABU DHABI GOVERNMENT AND OIL

INDUSTRY SOURCES IS TO PERMIT ABU DHABI ECONOMY TO PROFIT FROM OIL INDUCED SPIN-OFF. AT PRESENT, DIRECT GOVERNMENT SPENDING IS ENGINE DRIVING ABU DHABI ECONOMY. THIS PRESENT EFFORT IS AN ATTEMPT TO DEVELOP THE FLEDGLING PRIVATE SECTOR IN ABU DHABI WHICH UNTIL THE PRESENT TIME HAS HAD LITTLE EXPERIENCE OUTSIDE THE CIVIL CONSTRUCTION SECTOR. LETTER CALLS FOR "THE HEAD OFFICE" TO BE ESTABLISHED IN ABU DHABI. GOVERNMENT SOURCES INTERPRETED TO EMBOFF THIS REQUIREMENT AS CALLING FOR ESTABLISHMENT OF OFFICE HOUSING DECISION-MAKERS WHO DEAL WITH OIL IN ABU DHABI. GOVERNMENT WANTS MANAGERS, ADMINISTRATIVE PEOPLE AND FINANCIAL RECORDS HERE. POLICY WILL ALSO REQUIRE SELECTION OF ABU DHABI LOCAL AGENT IN ORDER TO OPERATE. OWNERS OF VACANT RENTAL PROPERTY (WHICH INCLUDES ALMOST ALL SUBSTANTIAL ABU DHABIANS) ARE ENTHUSIASTIC ABOUT MOVE.

5. NEW POLICY DOES NOT REPEAT NOT MEAN THAT ONGOING WORK FACILITIES IN OTHER EMIRATES NEED TO CLOSE AND MOVE TO ABU

DHABI, ACCORDING TO EMIRATE OFFICIALS. COMPANIES WHICH HAVE CAPITAL INVESTMENT IN FACILITIES ELSEWHERE WILL NOT BE EXPECTED TO ABANDON THEM(J. RAY MCDERMOTT COMPANY IN DUBAI AND EPTM IN SHARJAH WERE EXPLICITLY CITED). HOWEVER, NEW CAPITAL INVESTMENT SHOULD GO TO ABU DHABI. EMBOFF QUERIED OFFICIAL IF POSSIBLE SPLIT WOULD BE ACCEPTABLE IN WHICH PART OF NEW INVESTMENT MIGHT GO TO JEBEL ALI AND PART TO ABU DHABI. RESPONSE WAS THAT CIRCUMSTANCES GOVERN INDIVIDUAL CASES. NO ATTEMPT WOULD BE MADE TO FORCE COMPANIES INTO FOOLISH DIS-ECONOMIES AS LONG AS ABU DHABI OFFICIALS WERE CONVINCED THAT INTENT TO COMPLY WITH SPIRIT OF ABU DHABI PREFERENCE WAS PRESENT.

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UNCLAS SECTION 2 OF 2 ABU DHABI 1330

ATHENS FOR RTDO

6. DUBAI OFFICIALS CLAIM THAT THEY WERE SURPRISED BY THE LETTER WHICH CAME TO THEIR ATTENTION PROMPTLY SINCE ALMOST ALL OIL FIELDH SERVICE COMPANIES IN DUBAI DO ALMOST ALL OF THEIR WORK IN ABU DHABI. IN THEORY, COMPANIES WILL BE ABLE TO CONTINUE BLUE COLLAR OPERATIONS IN DUBAI AND SHARJAH. HOWEVER, PROBLEM LIKELY TO ARISE BECAUSE WITH NEXT TWO YEARS OR SO THE GOVERNMENT OF

DUBAI PLANNED TO MOVE THESE COMPANIES FROM "THE CREEK" TO SITES ADJOINING THE NEW INDUSTRIAL HARBOR AT JEBEL ALI UPON WHICH MORE THAN ONE BILLION REPEAT BILLION DOLLARS HAS REPORTEDLY ALREADY BEEN SPENT. THE SERVICE AND CONTRACTING COMPANIES WERE EXPECTED TO HAVE SUPPORTED BETWEEN 25 AND 35 PERCENT OF THE OPERATING BUDGET OF THE PORT AND TO HAVE FILLED MUCH NEW UNCLASSIFIED

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HIGH QUALITY HOUSING NEARBY. UNDER ABU DHABI POLICY, MOVEMENT TO JEBAL ALI WILL BE DIFFICULT TO JUSTIFY AND PERFORMANCE OF JEBAL ALI PROJECT LIKELY TO SUFFER AS COMPANIES PUT NEW INVESTMENT IN ABU DHABI.

7. FACT THAT MOVE WOULD EVENTUALLY TAKE PLACE HAD BEEN SIGNALLED FOR PAST SEVERAL YEARS BY ABU DHABI AUTHORITIES. ABU DHABI'S FIRM INTENTIONS WERE FURTHER INDICATED BY CREATION OF 25 MILLION DOLLAR JOINT VENTURE BETWEEN ADNOC AND M.L. BAROID LAST YEAR TO CONSTRUCT WHARF AND WAREHOUSES ON SADIYAT ISLAND NEAR ABU DHABI ISLAND. FIRST SADIYAT FACILITIES WILL BE READY IN APRIL 1979. OTHER FACILITIES WILL BE OBTAINABLE AT RUWAIS AND AT NEW MUSAFI INDUSTRIAL AREA ON MAINLAND NEXT TO ABU DHABI ISLAND. WHILE SADIYAT WILL BE ABLE TO HANDLE SIMPLE OPERATIONS IN 1979, OTHER SITES WILL BE SEVERAL YEARS IN PREPARATION AS ONLY INFRASTRUCTURE NOW PRESENT AT EITHER RUWAIS OR MUSAFI IS ROAD TO AND FROM ABU DHABI TOWN.

8. COMMENT: EXTENT TO WHICH DUBAI WILL BE AFFECTED BY POLICY AND EXTENT TO WHICH ABU DHABI WILL BENEFIT DEPENDS UPON ITS PRACTICAL APPLICATION. DUBAI GOVERNMENT OFFICIALS ASSERT THEY HAVE BEEN TOLD AUTHORITATIVELY THAT THE LETTER WAS

WITHOUT REFERENCE TO RECENT INTER-EMIRATE DISPUTES AND WAS NOT MEANT AS MOVE AGAINST DUBAI OR SHAIKH RASHID. WE TEND TO AGREE AND ASSUMING THAT THE RECENT ABU DHABI-DUBAI TENSIONS SUBSIDE, WE EXPECT A FLEXIBLE ABU DHABI APPROACH TOWARD IMPLEMENTATION THAT WOULD SEEK TO MIMIMIZE HARDSHIPS ON COMPANIES AND OTHER EMIRATES DICKMAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSTRUCTIONS, PETROLEUM INDUSTRY, OPENING OF OFFICES
Control Number: n/a
Copy: SINGLE
Draft Date: 11 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ABUDH01330
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780200-0400
Format: TEL
From: ABU DHABI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780571/aaaacigf.tel
Line Count: 211
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 85811fa1-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 ABU DHABI 1325
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2729025
Secure: OPEN
Status: NATIVE
Subject: OIL SERVICE/CONTRACTORS REQUIRED TO ESTABLISH HEADQUARTERS IN ABU DHABI FOR ABU DHABI-DERIVED WORK
TAGS: BEXP, BENC, ENRG, PINT, TC
To: STATE USDC
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/85811fa1-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014